



BOARD OF SUPERVISORS
AGENDA LETTER

Agenda Number:

Clerk of the Board of Supervisors
105 E. Anapamu Street, Suite 407
Santa Barbara, CA 93101
(805) 568-2240

Department Name: Behavioral Wellness
Department No.: 043
For Agenda Of: March 5, 2019
Placement: Administrative
Estimated Time:
Continued Item: No
If Yes, date from:
Vote Required: Majority

TO: Board of Supervisors

FROM: Department Alice Gleghorn, Ph.D., Director
Director(s) Behavioral Wellness, 805-681-5220
Contact Info: Lindsay Walter, Deputy Director of Administration and
Operations, 805-681-5236

SUBJECT: Behavioral Wellness – Transitions Mental Health Association AB 2034 Loan,
Collateral Substitution

County Counsel Concurrence

As to form: Yes

Other Concurrence:

As to form: N/A

Auditor-Controller Concurrence

As to form: Yes

Recommended Actions:

That the Board of Supervisors:

- A. Approve the **substitution of collateral property** currently located at 1418 South Raven Court in Santa Maria, CA (“Raven Court”) with replacement collateral property located at 613 North Curryer Street in Santa Maria, CA (“Curryer Street”), which secures an existing loan in the amount of \$125,000 of AB 2034 one-time housing grant funds to **Transitions Mental Health Association** (the “AB 2034 Loan”) to provide affordable housing in the City of Santa Maria with three project units/beds dedicated for a term of thirty (30) years for qualified mentally ill adult clients of the County of Santa Barbara.
- B. Approve and authorize the Chair of the Board of Supervisors and the Director of Behavioral Wellness to execute a **First Addendum (“Addendum”) to the Funding Agreement for AB 2034 One Time Housing Funds Between the County of Santa Barbara and Transitions Mental Health Association** (the “Funding Agreement”) (together, the “Funding Agreement and Addendum”);
- C. Approve and accept an Amended and Restated Promissory Note on Curryer St., in form and content substantially similar to Attachment E, that reflects the above-described substitution of collateral;

- D. Approve and accept a Deed of Trust on the Curryer St. facility, in form and content substantially similar to Attachment C, which will serve as substitute collateral securing performance of the Funding Agreement and Addendum and Amended and Restated Promissory Note;
- E. Approve and authorize the Director of Behavioral Wellness to execute a Substitution of Trustee and Deed of Full Reconveyance, in a form substantially similar to Attachment F, which will release the deed of trust on the Raven Court property;
- F. Determine that the recommended actions are not the acceptance and approval of a project that is subject to environmental review under the California Environmental Quality Act (CEQA) pursuant to CEQA Guidelines Section 15378(b)(4), finding that the actions are a creation of government funding mechanisms or other government fiscal activities, which do not involve any commitment to any specific project which may result in a potentially significant physical impact on the environment; and pursuant to CEQA Guidelines Section 15378(b)(5), finding that the actions consist of organizational or administrative activities of governments that will not result in direct or indirect physical changes in the environment.

Summary Text:

This item is on the agenda to request approval to execute a First Addendum (“Addendum”) to the Funding Agreement for AB 2034 One Time Housing Funds Between the County of Santa Barbara and Transitions Mental Health Association (the “Funding Agreement”) (together, the “Funding Agreement and Addendum”) and to accept substitute collateral to secure performance of the Funding Agreement and Addendum and AB 2034 Loan to TMHA. The AB 2034 Loan was awarded to TMHA in 2002 using a total amount of \$250,000 of AB 2034 one time state grant housing funds to provide affordable housing in the City of Santa Maria for mentally ill adult clients of the County. The Loan was split between two promissory notes each in the amount of \$125,000. One of the notes was secured by the Raven Court property, which was subsequently sold and replaced with the Curryer St. facility. The recommended actions will update the note and ensure that it is now secured by the Curryer St. facility. Project occupancy and affordability requirements will remain in effect for no less than 30 years from the original closing date of escrow through June 30, 2032. *See Attachment A, Transaction Summary*, for an overview of the transaction.

Background:

On June 18, 2002, the Board of Supervisors approved and executed a Funding Agreement for AB 2034 One Time Housing Funds with Transitions Mental Health Association (“TMHA”) (*See Attachment B, Funding Agreement*). Under the terms of the Funding Agreement, the County loaned to TMHA AB 2034 one-time housing funds in the total amount of \$250,000 to acquire two single family homes, one of which was the property at 1418 S. Raven Court, Santa Maria, CA (“**Raven Court**”). TMHA acquired Raven Court on July 31, 2002 and recorded a Deed of Trust that secured performance under the Funding Agreement and a promissory note in the amount of \$125,000. The second property that TMHA acquired with the remaining \$125,000 was located at 117 W. Tunnell St., Santa Maria, CA (“**Tunnell St.**”). The Funding Agreement requires TMHA to make the homes available for low income clients for a period of 30 years. The County can require repayment of the funds plus 10% if TMHA violates the terms of the Funding Agreement.

TMHA subsequently sold the Raven Court property to an unrelated party on August 15, 2003. TMHA indicates that the proceeds from the sale of the Raven Court property were applied for the acquisition of another property located 613 N. Curryer Street, Santa Maria, CA (“**Curryer St.**”). TMHA acquired the Curryer St. property in December 2003 and committed three (3) project beds at the Curryer St. location for County clients.

In 2018, representatives of a lender with its own, subordinate security interest in the Raven Court property contacted the County and requested a release of the County Deed of Trust on the Raven Court property to clear title. TMHA has requested that County accept a Deed of Trust on the Curryer property as substitute collateral to replace the Raven Court Deed of Trust and to secure the original loan and obligations under the Funding Agreement. The County will be obtaining title insurance for the Deed of Trust.

TMHA has also indicated that it intends to sell the Tunnell St. property and transfer the Project beds to another facility. Staff will return to the Board at a later date to consider this matter.

The proposed First Addendum to the Funding Agreement is intended to reflect the above-described substitution of collateral property and to modify the reporting requirements from monthly to quarterly. This change corresponds to the frequency of other reports TMHA submits on a quarterly basis to BWell (*See Attachment D – First Addendum to Funding Agreement*).

Performance Outcomes

In response to the needs of the community of Santa Maria, TMHA has been continuously housing low-income clients of Santa Barbara County Behavioral Wellness since the purchase of properties for that purpose using AB2034 funding in 2002. TMHA records show a high occupancy rate for properties associated with this funding.

During the timeframe for which TMHA has records, there was a 99% occupancy rate at the Curryer Street property. The occupancy rate at the Tunnell property has been 85% over the same period. Rental rates have stayed well within the County-approved affordability requirements and all tenants have been “low-income” clients as prescribed in the Funding Agreement. The average rent is \$434.00 per month at Curryer Street.

Project maintenance and management for all TMHA properties is handled in accordance with TMHA’s policies, including the management of security deposits. Such policies have been in effect at TMHA throughout the duration of the Funding Agreement.

At all times, TMHA maintains Property Insurance, Workers’ Compensation Insurance and Automobile Liability Insurance in compliance with the Funding Agreement and meeting the prudent requirements of TMHA. Furthermore, TMHA maintains strict policies governing employee behavior while engaged with tenants and while operating a motor vehicle to protect both TMHA and the County. Audits by an independent audit firm are performed annually.

TMHA has a long track record of housing eligible tenants in SB County and working closely with the Behavioral Wellness Department to assure that the housing needs of its clients are our top priority.

Fiscal and Facilities Impacts:

Budgeted:

None.

Special Instructions:

Please send one (1) minute order to: mejohanson@co.santa-barbara.ca.us and the BWell Contracts Division at bwelcontractsstaff@co.santa-barbara.ca.us

Attachments:

Attachment A: Transaction Summary

Attachment B: Funding Agreement

Attachment C: Deed of Trust – Curryer St.

Attachment D: First Addendum to Funding Agreement

Attachment E: Amended and Restated Promissory Note – Curryer St.

Attachment F: Substitution of Trustee and Deed of Full Reconveyance – Raven Ct.

Authored by: Melanie Johnson, Lindsay Walter